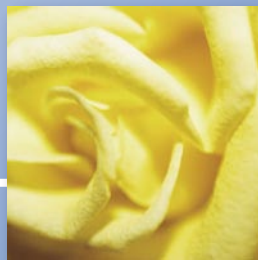


2006 FLEXIBLE BENEFITS PLAN



WASHINGTON FLEX
STATE OF WASHINGTON EMPLOYEES

*SHORT PLAN YEAR
Reference Guide*

Employee Benefits Resource Directory

COMPANY	DEPARTMENT	HOURS	PHONE/WEB ADDRESS
Fringe Benefits Management Company (Flexible Spending Accounts)	FBMC Customer Service Automated Services Enrollment Form Fax Line	Mon - Fri, 4 a.m. - 7 p.m. PT 24 hours a day Mon - Fri, 4 a.m. - 7 p.m. PT	1-800-342-8017 1-800-865-FBMC (3262) 850-514-5806 www.myfbmc.com
The State of Washington (Washington Flex)	Public Employees Benefits Board	Mon - Fri, 8 a.m. - 5 p.m. PT	1-800-200-1004 (360) 412-4200 (Olympia) www.pebb.hca.wa.gov

Getting Answers

TO YOUR QUESTIONS

FBMC Web Site

By entering **www.myfbmc.com** into your Internet browser, you will open FBMC's home page. Answers to many of your benefit questions can be obtained by using the following navigational tabs located along the top portion of the home page.

Account Information

When you select the '**Account Information**' tab, you'll be prompted to enter your Social Security number and Personal Identification Number (PIN). After this login, the following menu items will be available to you.

- **My Benefits** – includes information on current benefits, such as effective date, number of deductions and pre-tax annual contribution
- **My Account Transactions** – allows review of transactions from your current and previous plan years, including grace period information
- **Account Balance** – gives specifics about account availability, paid amounts and payment status
- **My Claims** – provides information on open and current reimbursement claims such as date received, status and amount authorized
- **Change In Status** – enables confirmation of request status, date received and effective date
- **Tax Savings Analysis** – calculates potential per-pay-period and annual tax savings as well as long-term savings (no login required)

Downloading Forms

When you select this tab, a choice of forms, including a Letter of Medical Need, FSA Reimbursement Request Form and Direct Deposit Form, are posted for your convenience. The Enrollment Form is available on the PEBB Web site.

Frequently Asked Questions

This tab provides answers to many of your general questions regarding Flexible Spending Accounts and enrollment information.

FBMC Customer Service

This tab gives you a direct link to the FBMC Customer Service Center.

FBMC Interactive Benefits

FBMC's 24-hour automated phone system, Interactive Voice Response (IVR), can be reached by calling 1-800-865-FBMC (3262). This system allows you to access your benefits any time. By following the voice prompts, you can find out a great deal of information about your benefits.

- Current Account Balance(s)
- Claim Status
- Mailing Address Verification
- Obtain FSA Reimbursement Request Claim Forms
- Change Your PIN

Personal Identification Number (PIN)

To access both the FBMC Web site and the Interactive Voice Response (IVR) system, all you need is your Social Security number (SSN). The last four digits of your SSN will be your first PIN, whether using the Web site or the IVR system. After your initial login, you will be asked to register and select your own confidential PIN to access both systems in the future. Your new PIN cannot be the last four digits of your SSN, as it was previously. If you forget your PIN, click the "I forgot my PIN" link for help or you may send an e-mail to a Customer Service Representative at **webcustomerservice@fbmc-benefits.com**. Once you've logged in, you may access information about your benefits.



Record PIN here.

Remember, this will be your PIN for both Web and IVR access.

Note: Please be sure to keep this Reference Guide in a safe, convenient place, and refer to it for benefit information.

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Important Enrollment Information

- **Your 2006 Short Plan Year is July 1, 2006, through December 31, 2006.**
- Open Enrollment is May 1 - May 31, 2006.
- We've made utilizing your Flexible Spending Accounts (FSAs) even easier! This year, you will be able to use the **new FSA Online Enrollment** to start or re-enroll in your FSAs.
- To complete your FSA Online Enrollment, simply go to **<https://www.myFBMC.com/enroll/c298/p2006/>**, and fill out the FSA Online Enrollment Form.
- Complete your FSA Online Enrollment by May 31, 2006, to enroll in an FSA (employees hired after May 31, 2006, who wish to participate in the FSA program must submit an FSA Enrollment Form within 31 days of employment).
- If you cannot use the FSA Online Enrollment option, or have difficulty enrolling online, you may go to the PEBB Web site at **www.pebb.hca.wa.gov** and download an Enrollment Form.
- Enrollment Forms should be mailed by May 31, 2006 (or within 31 days of employment) to:
Fringe Benefits Management Company (FBMC)
Enrollment Processing
P.O. Box 1878
Tallahassee, FL 32302-1878
- You may also fax your Enrollment Form to 850-514-5806, Attn: Enrollment Processing, by May 31, 2006, (or within 31 days of employment).

To obtain FSA Online Enrollment help or Direct Deposit Form:

- visit **www.myFBMC.com**
- e-mail **webcustomerservice@fbmc-benefits.com**
- call **1-800-342-8017** (Monday - Friday, 7 a.m. - 10 p.m. ET) or
- call Risk Management at **352-671-6910**.
- For more information, contact FBMC Customer Service by e-mail at **webcustomerservice@fbmc-benefits.com**, or call 1-800-342-8017, 4 a.m.-7 p.m. PT, Monday – Friday.

Flexible Spending Accounts

What is a Flexible Spending Account?

Fringe Benefits Management Company (FBMC) provides you with an IRS tax-favored Flexible Spending Account (FSA) to stretch your medical expense dollars.

FSAs feature:

- IRS-approved reimbursement of eligible expenses tax free
- per-pay-period deposits from your pre-tax salary
- savings on income and Social Security taxes and
- security of paying anticipated expenses with your FSA.

Who is eligible?

Full-time, part-time and seasonal state employees who are eligible for PEBB-sponsored benefit programs are eligible to participate in Washington Flex.

Is an FSA right for me?

If you will spend \$240 or more on recurring eligible expenses during the short plan year, you may save money by paying for them with an FSA. A portion of your salary is deposited into your FSA each pay period.

- You decide the amount you want deposited.
- You are reimbursed for eligible expenses before income and Social Security taxes are deducted.
- You save income and Social Security taxes each time you receive wages.

Determine your potential savings with a Tax Savings Analysis at www.myfbmc.com. Simply click the "Resources" tab.

What types of FSAs are available?

Your employer offers you a Medical Expense FSA.

Medical expenses not covered by your insurance plan may be eligible for reimbursement using your Medical Expense FSA, including:

- birth control pills
- eyeglasses
- orthodontia and
- Over-the-Counter items.

When does my period of coverage begin?

Current Employees: Your period of coverage is July 1, 2006, to December 31, 2006. See Page 10 for information about changing your coverage.

New Employees: Employees are eligible to participate in this program the first day of the month following hire date. If an employee's date of hire is the first day of the month, they are eligible the first of that month. New hires must complete the form within 31 days of their employment; otherwise, the employee must wait until the next Open Enrollment.

Whose expenses are eligible?

Your Medical Expense FSA may be used to reimburse eligible expenses incurred by:

- yourself
- your spouse
- your qualifying child or
- your qualifying relative.

An individual is a **qualifying child** if they:

- are a U.S. citizen, national or a resident of the U.S., Mexico or Canada
- have a specified family-type relationship to you
- live in your household for more than half of the taxable year
- are 18 years old or younger (23 years, if a full-time student) at the end of the taxable year and
- have not provided more than one-half of their own support during the taxable year (and receive more than one-half of their support from you during the taxable year if a full-time student age 19 through 23 at the end of the taxable year).

An individual is a **qualifying relative** if they are a U.S. citizen, national or a resident of the U.S., Mexico or Canada and:

- have a specified family-type relationship to you, are not someone else's qualifying child and receive more than one-half of their support from you during the taxable year **or**
- if no specified family-type relationship to you exists, are a member of and live in your household (without violating local law) for the entire taxable year and receive more than one-half of their support from you during the taxable year.

Funds from your FSA may be used to pay for medical expenses for your legal dependents. **However, federal regulations do not allow you to use FSA funds for the medical expenses of a same-sex domestic partner or his/her dependents.**

Note: There is no age requirement for a qualifying child if they are physically and/or mentally incapable of self care. An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish a Medical Expense FSA.

Are prescriptions eligible for reimbursement?

Yes, most filled prescriptions are eligible for Medical Expense FSA reimbursement, as long as you properly substantiate the expense. Proper submission of the reimbursement request is needed to ensure that the drug is eligible for reimbursement. The IRS requires the complete name of all medicines and drugs be obtained and documented on pharmacy invoices (including prescription number, date(s) of service and total dollar amount). This information must be included when submitting your request to FBMC for reimbursement.

Can travel expenses for medical care be reimbursed?

Travel expenses primarily for, and essential to, receiving medical care, including health care provider and pharmacy visits, may be reimbursable through your Medical Expense FSA. With proper substantiation, eligible expenses can include:

- actual round-trip mileage
- parking fees
- tolls and
- transportation to another city.

Is orthodontic treatment reimbursable?

Orthodontic treatment designed to treat a specific medical condition is reimbursable through your Medical Expense FSA if the proper documentation is provided:

- a written statement, bill or invoice from the treating dentist/orthodontist showing the type and date the service was incurred, the name of the eligible individual receiving the service, the cost for the service and
- a copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment (only required if a participant requests reimbursement for the total program cost spread over a period of time).

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. For reimbursement options available under your employer's plan, including care that extends beyond one or more plan years, refer to the information provided following your enrollment, or call FBMC Customer Service at 1-800-342-8017.

Should I claim my expenses on IRS Form 1040?

With a Medical Expense FSA, the money you set aside for health care expenses is deducted from your salary before taxes. It is always tax free, regardless of the amount. By enrolling in a Medical Expense FSA, you guarantee your savings.

Itemizing your health care expenses on your IRS Form 1040 may give you a different tax advantage, depending on their percentage of your adjusted gross income. You should consult a tax professional to determine which avenue is right for you.

Are some expenses ineligible?

Expenses not eligible for reimbursement through your Medical Expense FSA include:

- insurance premiums
- vision warranties and service contracts and
- cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition.

When are my funds available?

Once you sign up for a Medical Expense FSA and decide how much to contribute, the maximum annual amount of reimbursement for eligible health care expenses will be available throughout your period of coverage.

Since you don't have to wait for the cash to accumulate in your account, you can use it to pay for your eligible health care expenses at the start of your deductions.

When do I request reimbursement?

You may use your Medical Expense FSA to reimburse eligible expenses after you have sought (and exhausted) all means of reimbursement provided by your employer and any other appropriate resource. Also keep in mind that some eligible expenses are reimbursable on the date available, not the date ordered.

How do I request reimbursement?

Requesting reimbursement from your Medical Expense FSA is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with the following:

- an invoice or bill from your health care provider listing the date you received the service, the cost of the service, the specific type of service and the person for whom the service was provided and
- an Explanation of Benefits (EOB)* from your health insurance provider that shows the specific type of service you received, the date and cost of the service and any uninsured portion of the cost or
- a written statement from your health care provider indicating the service was medically necessary if those services could be deemed cosmetic in nature, accompanied by the invoice or bill for the service.

Please note that cancelled checks or credit card receipts (or copies) listing the cost of eligible expenses are **not** valid documentation for Medical Expense FSA reimbursement.

Mail to: Contract Administrator
Fringe Benefits Management Company
P.O. Box 1800
Tallahassee, FL 32302-1800

Fax to: 850-425-4608

* EOBs are not required if your coverage is through a HMO.

New this year!

A recent IRS Revenue Notice permits a "**grace period**" of two months and 15 days following the end of your 2006 Short Plan Year (December 31, 2006) for a Medical Expense FSA. This new grace period ends on March 15, 2007.

During the grace period, you may incur expenses and submit claims for these expenses. Funds will be automatically deducted from any remaining dollars in your 2006 Medical Expense FSA.

You should not confuse the new grace period with the plan's "**run-out period.**" The run-out period extends until March 31, 2007. This is a period for filing claims incurred anytime during the 2006 Plan Year, as well as claims incurred during the grace period mentioned above.

Claims will be processed in the order in which they are received by FBMC and your accounts will be debited accordingly.

Flexible Spending Accounts

CONTINUED

Receiving Reimbursement

Your reimbursement will be processed within five business days from the time FBMC receives your properly completed and signed FSA Reimbursement Request Form. To avoid delays, follow the instructions for submitting your requests located in the FSA materials you will receive following enrollment.

Direct Deposit

Enroll in Direct Deposit to expedite the time of your reimbursement.

- FSA reimbursement funds are automatically deposited into your checking or savings account.
- There is no fee for this service.
- You don't have to wait for postal service delivery of your reimbursement (however, you will receive notification that the claim has been processed).

To apply, complete the Direct Deposit Enrollment Form available from your **Enrollment Counselor**, visit **www.myfbmc.com** or call FBMC Customer Service at 1-800-342-8017. Please note that processing your Direct Deposit enrollment may take between four to six weeks.

Where can I get information about FSAs?

If you have specific questions about FSAs, contact FBMC Customer Service.

- Visit **www.myfbmc.com**.
- E-mail **webcustomerservice@fbmc-benefits.com**.
- Call **1-800-342-8017** (Monday - Friday, 4 a.m.-7 p.m. PT).

Please note that due to FBMC's Privacy Policy, we will not discuss your account information with others without your verbal or written authorization.

FSA Savings Example*

\$31,000.00	Annual Gross Income	\$31,000.00
- 2,400.00	FSA Deposit for Recurring Expenses	<u>- 0</u>
\$28,600.00	Taxable Gross Income	\$31,000.00
- 6,477.90	Federal, Social Security Taxes	<u>-7,021.50</u>
\$22,122.10	Annual Net Income	\$23,978.50
- 0	Cost of Recurring Expenses	<u>-2,400</u>
\$22,122.10	Spendable Income	\$21,578.50

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of

\$543.60!

* Based upon a 22.65% tax rate (15% federal and 7.65% Social Security) calculated on a calendar year

Minimum Annual Deposit: \$240

Maximum Annual Deposit: \$2,400

Partial List of Medically Necessary Eligible Expenses*

Acupuncture
Ambulance service
Birth control pills and devices
Chiropractic care
Contact lenses (corrective)
Dental fees
Diagnostic tests/health screening
Doctor fees
Drug addiction/alcoholism treatment
Drugs
Experimental medical treatment
Eyeglasses
Guide dogs
Hearing aids and exams
In vitro fertilization
Injections and vaccinations
Nursing services
Optometrist fees
Orthodontic treatment
Over-the-Counter items
Prescription drugs to alleviate nicotine withdrawal symptoms
Smoking cessation programs/treatments
Surgery
Transportation for medical care
Weight-loss programs/meetings
Wheelchairs
X-rays

Note: Budget conservatively. No reimbursement or refund of Medical Expense FSA funds is available for services that do not occur within your plan year and grace period.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

FSA Guidelines:

1. The IRS does not allow you to pay your medical or other insurance premiums through an FSA. Refer to the "Written Certification" portion of the *Beyond Your Benefits* section of this Reference Guide for more specifics.
2. You have a 90-day run-out period (until March 31, 2007) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage and any applicable grace period within the 2006 Short Plan Year.
3. You may not receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
4. You cannot deduct reimbursed expenses for income tax purposes.
5. You may not be reimbursed for a service which you have not yet received.
6. Be conservative when estimating your medical expenses for the 2006 Short Plan Year. IRS regulations state that any unused funds which remain in your FSA after a plan year and any applicable grace period ends, and all reimbursable requests have been submitted and processed, cannot be returned to you nor carried forward to the next plan year.

What documentation of expenses do I need to keep?

The IRS requires FSA customers to maintain complete documentation, including keeping copies of statements, invoices or bills for reimbursed expenses, for a minimum of one year.

How do I get the forms I need?

To obtain forms you will need after enrolling in a Medical Expense FSA, such as an FSA Reimbursement Request Form, Letter of Medical Need or Direct Deposit Form, you can visit FBMC's Web site, **www.myfbmc.com**, or call FBMC Customer Service at 1-800-342-8017. For more information, refer to the *Getting Answers* section of this Reference Guide.

Will contributions affect my income taxes?

FSAs contributions will lower your taxable income and taxes. These reductions are one of the money-saving aspects of starting an FSA. Depending on the state, additional state income tax savings or credits may also be available. Your FSA contributions also will reduce earned income for purposes of the federal Earned Income Tax Credit (EITC).

For complete information on the tax benefits of an FSA, consult your tax advisor and/or the IRS.

Appeal Process

If you have an FSA reimbursement claim, a request for a mid-plan year election change or other similar request denied, in full or in part, you have the right to appeal the decision by sending a written request to HCA (at the address below) for review.

Washington State Health Care Authority
PEBB Appeals
P.O. Box 42699
Olympia, WA 98504-2699

Your appeal must include:

- A statement outlining why you think your request should not have been denied
- The name of your employer
- The date of the services for which your request was denied
- A copy of the denied request
- A copy of the denial letter you received and
- Any additional documents or information that you think support your appeal.

Note: Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.

How does retiring, termination or leave affect my FSA?

If you terminate employment, retire or go on unpaid leave, your eligibility for your FSA may change. You may be able to change or continue your Medical Expense FSA election upon completion of the appropriate forms and requirements. To make this change or to continue coverage, contact FBMC Customer Service within 30 days of the event by e-mail at **webcustomerservice@fbmc-benefits.com**, or by calling 1-800-342-8017.

Specific guidelines about your employer's termination and leave policies can be obtained from your employer. In addition, the Family and Medical Leave Act (FMLA) may affect your rights to continue coverage while on leave. Please contact your employer for further information.

OTC Category Reimbursement

Over-the-Counter Expenses

Your Over-the-Counter (OTC) items, medicines and drugs may be reimbursable through your Medical Expense FSA! Save valuable tax dollars on certain categories of OTC items, medicines and drugs. You may be reimbursed for OTCs through your Medical Expense FSA if:

- the item, medicine or drug was used for a specific medical condition for you, your spouse and/or your dependent(s)
- the submitted receipt clearly states the purchase date and name of the item, medicine or drug
- the reimbursement request is for an expense allowed by your employer's Medical Expense FSA plan and IRS regulations and
- you submit your reimbursement request in a timely and complete manner already described in your benefits enrollment information.

Note: OTC items, medicines and drugs, including bulk purchases, must be used in the same plan year in which you claim reimbursement for their cost. The list of eligible OTC categories will be updated on a quarterly basis by FBMC. It is your responsibility to remain informed of updates to this listing, which can be found at **www.myfbmc.com**. As soon as an OTC item, medicine or drug becomes eligible under any of the categories below, it will be reimbursable retroactively to the start of the then current plan year.

Newly eligible OTC items, medicines and drugs are not considered a valid change in status event that would allow you to change your annual Medical Expense FSA election or salary reduction amount. Be sure to maintain sufficient documentation to submit receipts for reimbursement. You may resubmit a copy of your receipt from your records if a rejected OTC expense becomes eligible for reimbursement later in the same plan year.

Eligible Expense Categories

Allergy

Antihistamines
Nasal sprays

Antacids

Heartburn medicines

Cold Remedies

Cough drops
Decongestants
Nasal strips
Nasal sprays
Sinus medications
Throat lozenges

Pain Relief

Bug bite medication
Fever reducers
First aid creams (diaper, fever blister, poison ivy)
Menstrual cycle products for pain and cramp relief
Products for muscle or joint pain
Special ointments or creams for sunburn
Topical creams

Other Medical Remedy Items

Anti-diarrheals
Anti-fungals
Antibiotics
Asthma medications
Bandages, gauze pads, rubbing alcohol, liquid adhesives

Carpal tunnel wrist supports
Cold/hot packs for injuries
Corn/callus removers
Eye products (including reading glasses, contact lens cleaning solutions)
First aid kits
Hemorrhoid treatments
Laxatives
Motion sickness treatments
Nicotine gum or patches for smoking cessation purposes
Thermometers
Wart removers

Items Requiring Special Documentation*

Botanicals/herbals
Feminine hygiene products
Hormones
Minerals
Nasal sprays for snoring
Sunscreens
Vitamins
Weight-loss drugs to treat a specific disease

Ineligible OTC Expenses

Cosmetics
Toiletries
OTC items primarily for general health and well-being

* Contact FBMC Customer Service at **webcustomerservice@fbmc-benefits.com** or call FBMC Customer Service at 1-800-342-8017 for more information. To obtain a sample Letter of Medical Need, Personal Use Statement or other forms, visit **www.myfbmc.com**.

To figure out how much to deposit in your FSA, refer to the following worksheet. Calculate the amount you expect to pay during the plan year for eligible, uninsured out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS and plan limits. (Refer to the individual FSA descriptions in this Reference Guide for limits.)

Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year.

MEDICAL EXPENSE FSA WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year.

UNINSURED MEDICAL EXPENSES

Health insurance deductibles \$ _____

Coinsurance or co-payments \$ _____

Vision care \$ _____

Dental care \$ _____

Prescription drugs \$ _____

Travel costs for medical care \$ _____

Other eligible expenses \$ _____

TOTAL (amount cannot exceed \$2,400) \$ _____

DIVIDE by the number of deductions you will receive during **your short plan year (July 1 - December 31, 2006)** . *

÷ _____

This is your pay period contribution. \$ _____

* Divide by the number of PEBB deductions taken during the short plan year. Enter **12** for full-time, permanent employees, **12 or less** for new hires or Seasonal/PartTime employees.

At your request, your FSA reimbursement checks may be deposited into your checking or savings account by enrolling in Direct Deposit.

Changing Your Coverage

Am I permitted to make mid-plan year election changes?

Under some circumstances, your employer's plan(s) and the IRS may permit you to make a mid-plan year election change to your FSA election, or vary a salary reduction amount, depending on the qualifying event and requested change.

How do I make a change?

You can change your Flexible Spending Account (FSA) election(s), or vary the salary reduction amounts you have selected during the plan year, only under limited circumstances as provided by your employer's plan(s) and established IRS guidelines. Partial lists of permitted and not permitted qualifying events under your employer's plan(s) appear on the following page. Election changes must be consistent with the event. Your employer's designee, **FBMC, P.O. Box 1878, Tallahassee, FL 32302-1878 – FBMC Customer Service at 1-800-342-8017**, will in its sole discretion, review on a uniform and consistent basis, the facts and circumstances of each properly completed and timely submitted mid-plan year election change form.

To Make a Change: Within **30 days** of an event that is consistent with one of the events on the following page, you must complete and submit a Change in Status/Election Form to your employer. Contact FBMC to obtain this form. Documentation supporting your election change request is required. Upon the approval and completion of processing your election change request, your existing FSA(s) elections will be stopped or modified (as appropriate). Generally, mid-plan year, pre-tax election changes can only be made prospectively, no earlier than the first payroll after your election change request has been received by FBMC, unless otherwise provided by law. If your FSA election change request is denied, you will have **30 days**, from the date you receive the denial, to file an appeal with your employer. For more information, refer to the "Appeal Process" section on Page 7.

What is my Period of Coverage?

Your period of coverage for incurring expenses is your short plan year, unless you make a permitted mid-plan year election change. A mid-plan year election change will result in split periods of coverage, creating more than one period of coverage within a plan year with expenses reimbursed from the appropriate period of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-plan year election change. However, expenses incurred before the permitted election change can only be reimbursed from the amount of the balance present in the FSA prior to the change. Mid-plan year election changes are approved only if the extenuating circumstances and supporting documentation are within your employer's, insurance provider's and IRS regulations governing the plan.

What are the IRS Special Consistency Rules governing Changes in Status?

1. **Loss of Dependent Eligibility**– If a change in your marital or employment status involves a decrease or cessation of your spouse's or dependent's eligibility requirements for coverage due to: your divorce, or annulment from your spouse, your spouse's or dependent's death or a dependent ceasing to satisfy eligibility requirements, you may decrease or cancel coverage only for the individual involved. You cannot decrease or cancel any other individual's coverage under these circumstances.
2. **Gain of Coverage Eligibility Under Another Employer's Plan**– If you, your spouse or your dependent gains eligibility for coverage under another employer's plan as a result of a change in marital or employment status, you may cease or decrease that individual's coverage if that individual gains coverage, or has coverage increased under the other employer's plan.

Changes in Status:

Marital Status	A change in marital status includes marriage, death of a spouse, divorce or annulment (legal separation is not recognized in all states).
Change in Number of Tax Dependents	A change in number of dependents includes the following: birth, death, adoption and placement for adoption. You can add existing dependents not previously enrolled whenever a dependent gains eligibility as a result of a valid CIS event.
Change in Status of Employment Affecting Coverage Eligibility	Change in employment status of the employee, or a spouse or dependent of the employee, that affects the individual's eligibility under an employer's plan includes commencement or termination of employment.
Gain or Loss of Dependents' Eligibility Status	An event that causes an employee's dependent to satisfy or cease to satisfy coverage requirements under an employer's plan may include change in age, student, marital, employment or tax dependent status.
Change in Residence	A change in the place of residence of the employee, spouse or dependent that affects eligibility to be covered under an employer's plan includes moving out of an HMO service area.

Some Other Permitted Changes:

Coverage and Cost Changes	Your employer's plans may permit election changes due to cost or coverage changes that affect other pre-tax benefits, excluding a Medical Expense FSA. Contact your employer for further information.
Judgment/Decree/Order	If a judgment, decree or order from a divorce, legal separation (if recognized by state law), annulment or change in legal custody requires that you provide accident or health coverage for your dependent child (including a foster child who is your dependent), you may change your election to provide coverage for the dependent child. If the order requires that another individual (including your spouse and former spouse) covers the dependent child and provides coverage under that individual's plan, you may change your election to revoke coverage only for that dependent child and only if the other individual actually provides the coverage.
Medicare/Medicaid	Gain or loss of Medicare/Medicaid coverage may trigger a permitted election change.
Health Insurance Portability and Accountability Act of 1996 (HIPAA)	If your employer's group health plan(s) are subject to HIPAA's special enrollment provision, the IRS regulations regarding HIPAA's special enrollment rights provide that an IRC § 125 cafeteria plan may permit you to change a salary reduction election to pay for the extra cost for group health coverage, on a pre-tax basis, effective retroactive to the date of the CIS event, if you enroll your new dependent within 30 days of one of the following CIS events: birth, adoption or placement for adoption. Note that a Medical Expense FSA is not subject to HIPAA's special enrollment provisions if it is funded solely by employee contributions.
Family and Medical Leave Act (FMLA) Leave of Absence	Election changes may be made under the special rules relating to changes in elections by employees taking FMLA leave. Contact your employer for additional information.

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

What is continuation coverage?

Federal law requires that most group health plans, including Medical Flexible Spending Accounts (Medical Expense FSAs), give employees and their families the opportunity to continue their health care coverage when there is a "qualifying event" that would result in a loss of coverage under an employer's plan. "Qualified beneficiaries" can include the employee covered under the group health plan, a covered employee's spouse and dependent children of the covered employee.

Each qualified beneficiary who elects continuation coverage will have the same rights under the plan as other participants or beneficiaries covered under the plan, including special enrollment rights. Specific information describing continuation coverage can be found in the summary plan description (SPD), which can be obtained from your employer.

How long will continuation coverage last?

For Medical Expense FSAs:

If you fund your Medical Expense FSA entirely, you may continue your Medical Expense FSA (on a post-tax basis) only for the remainder of the plan year in which your qualifying event occurs, **if** you have not already received, as reimbursement, the maximum benefit available under the Medical Expense FSA for the year. For example, if you elected a Medical Expense FSA benefit of \$1,000 for the plan year and have received only \$200 in reimbursement, you may continue your Medical Expense FSA for the remainder of the plan year or until such time that you receive the maximum Medical Expense FSA benefit of \$1,000.

Disability

An 11-month extension of coverage may be available if any of the qualified beneficiaries are disabled. The Social Security Administration (SSA) must determine that the qualified beneficiary was disabled at some time during the first 60 days of continuation coverage, and you must notify your employer of that fact within 60 days of the SSA's determination and before the end of the first 18 months of continuation coverage. All qualified beneficiaries who have elected continuation coverage and qualify will be entitled to the 11-month disability extension. If the qualified beneficiary is determined by SSA to no longer be disabled, you must notify your employer of that fact within 30 days of SSA's determination.

Second Qualifying Event

An 18-month extension of coverage will be available to spouses and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage, resulting in a maximum amount of continuation coverage of 36 months. Such second qualifying events include the death of a covered employee, divorce or separation from the covered employee or a dependent child's ceasing to be eligible for coverage as a dependent under the Plan. You must notify your employer within 60 days after a second qualifying event occurs.

How can you elect continuation coverage?

Each qualified beneficiary has an independent right to elect continuation coverage. For example, both the employee and the employee's spouse, or only one of them, may elect continuation coverage. Parents may elect to continue coverage on behalf of their dependent children only. A qualified beneficiary must elect coverage by the date specified on the COBRA Election Form. Failure to do so will result in loss of the right to elect continuation coverage under the Plan. A qualified beneficiary may change a prior rejection of continuation coverage any time until that date.

You should take into account that a failure to continue your group health coverage will affect your future rights under federal law. First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get continuation coverage for the maximum time available to you. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because of the qualifying event listed above. You will also have the same special enrollment right at the end of continuation coverage if you get continuation coverage for the maximum time available to you.

How much does continuation coverage cost?

Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. This amount may not exceed 102 percent of the cost to the group health plan (including both employer and employee contributions) for coverage of a similarly situated plan participant or beneficiary who is not receiving continuation coverage (or, in the case of an extension of continuation coverage due to a disability, 150 percent). For Medical Expense FSAs, the cost for continuation of coverage is a monthly amount calculated and based on the amount you were paying via pre-tax salary reductions before the qualifying event.

When and how must payments for continuation coverage be made?

First Payment for Continuation Coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the COBRA Election Form. However, you must make your first payment for continuation coverage **within 45 days after the date of your election**. (This is the date the Election Notice is post-marked, if mailed.) If you do not make your first payment for continuation coverage within that 45 days, you will lose all continuation coverage rights under the Plan.

Your first payment must cover the cost of continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact FBMC to confirm the correct amount of your first payment. Instructions for sending your first payment for continuation coverage will be shown on your COBRA Election Notice/Form.

Periodic Payments for Continuation Coverage

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the **first day of each month**. Instructions for sending your periodic payments for continuation coverage will be shown on your COBRA Election Notice/Form.

Grace Periods for Periodic Payments

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. If you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

Can you elect other health coverage besides continuation coverage?

If you are retiring, you may have the right to elect alternative retiree group health coverage instead of the COBRA continuation coverage described in this Notice. If you elect this alternative coverage, you will lose all rights to the COBRA continuation coverage described in the COBRA Notice. You should also note that if you enroll in the alternative group health coverage, you lose your right under federal law to purchase individual health insurance that does not impose any pre-existing condition limitations when your alternative group health coverage ends. You must contact your employer if you wish to elect alternative coverage.

If your group health plan offers conversion privileges, you have the right, when your group health coverage ends, to enroll in an individual health insurance policy, without providing proof of insurability. The benefits provided under such an individual conversion policy may not be identical to those provided under the Plan. You may exercise this right in lieu of electing COBRA continuation coverage, or you may exercise this right after you have received the maximum COBRA continuation coverage available to you. You should note that if you enroll in an individual conversion policy, you lose your right under federal law to purchase individual health insurance that does not impose any pre-existing condition limitations when your conversion policy coverage ends.

For More Information

This *COBRA Q&A* section does not fully describe continuation coverage or other rights under the Plan. More information about continuation coverage and your rights under the Plan is available from your employer. You can get a copy of your summary plan description from Washington State HCA.

For more information about your COBRA rights, the Health Insurance Portability and Accountability Act (HIPAA) and other laws affecting group health plans, contact the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA Web site at www.dol.gov/ebsa.

Keep Your Address Updated

In order to protect your family's rights, you should keep your employer and FBMC informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to your employer and FBMC.

Beyond Your Benefits

TERMS AND CONDITIONS

Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors' and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Service at 1-800-342-8017 for an approximation.

FBMC Privacy Notice

4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

- I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of customer service and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:
 - Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status and spousal and beneficiary information.
 - Responses from you and others such as information relating to your employment and insurance coverage.
 - Information about your relationships with us, such as products and services purchased, transaction history, claims history and premiums.
 - Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.
- II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: www.myfbmc.com. You have a right to a paper copy at any time. Contact FBMC Customer Service at 1-800-342-8017.

- III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

- IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

Notice of Administrator's Capacity

PLEASE READ: This notice advises Flexible Spending Account participants of the identity and relationship between Washington State HCA and its Contract Administrator, Fringe Benefits Management Company (FBMC). FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the Flexible Reimbursement Account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.

Written Certification

When enrolling in either or both FSAs, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses eligible under my employer's plan, and only for me and my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.

Completing your Enrollment Form

FBMC

proven best
P.O. Box 1878, Tallahassee, FL 32302-1878

Name (Please print)		MI		Social Security #	
Home Address		City		State ZIP	
Agency Name		Home Phone ()		Date of Hire	
Enrollment Status: <input type="checkbox"/> Seasonal/Part-time Employee <input type="checkbox"/> Full-time permanent		Payroll Effective Date		Plan Effective Date	
6 months paid; 12 paychecks		I expect to receive _____ PEBB paychecks between July 1, 2006 and December 31, 2006.			

If you work less than 9 months of the year, please indicate below how many paychecks you expect to receive during the 2006 Short Plan Year (July 1-December 31, 2006). Your annual FSA contribution will be divided by that number. Number of paychecks in 2006: _____

State of Washington HCA State Employee's Short Plan Year WASHINGTON FLEX ENROLLMENT FORM

You must complete this form if you wish to start a tax-free Medical Expense Flexible Spending Account.
July 1, 2006, through December 31, 2006

Indicate the amount you wish to pay through tax-free salary deduction by completing the section below. Complete the worksheet provided in your Enrollment and Reference Guide before deciding on the amount. If you have questions, consult your Enrollment and Reference Guide or call FBMC Customer Service at 1-800-342-8817.

In Box #1, indicate the dollar amount you elect to contribute for the short plan year, which is July 1, 2006, through December 31, 2006.

In Box #2, indicate the number of PEBB paychecks you expect to receive during the short plan year.

In Box #3, indicate the deduction amount per paycheck by dividing Box #1 by Box #2 (Note: if Box #2 times Box #3 does not equal Box #1 exactly, the amount in Box #3 may be changed slightly by FBMC due to rounding).

MEDICAL EXPENSE FLEXIBLE SPENDING ACCOUNT	
For uninsured eligible medical expenses incurred by you, your family members, or both. (Maximum allowable contribution is \$2,400; minimum is \$240.)	
Box #1 Short Plan Year Annual Amount	
Box #2 Divide by the number of PEBB paychecks you will receive during the short plan year: 12 for full-time, permanent employees, 12 or less for new hires or Seasonal/Part-time employees.	
Box #3 Deduction Per Regular Paycheck	

IMPORTANT

- I hereby authorize my employer to reduce my gross salary before federal income taxes are calculated by the total amount of annual salary deduction indicated above.
- I understand that any amount remaining in my FSA not used during this plan year and grace period will be forfeited since it cannot be carried forward to the next plan year.
- I understand that expenses for which I am reimbursed cannot be deducted on my income tax return.
- I understand that the funds in my FSA can only be paid out to reimburse payment of eligible expenses actually incurred during my period of coverage.
- I understand that the amount of salary deduction will include the items specified above and will continue in effect unless I terminate employment or file an approved Change in Status with the contract administrator within 30 days of the event or before the end of the plan year.
- I understand and agree that my employer and FBMC, the contract administrator, will not incur, and I specifically release from them, any liability resulting from either my participation in any FSA or my failure to sign or accurately complete this enrollment form. I understand that if I elect not to participate in salary deduction with respect to the FSA, I hereby forego my right to participate during the upcoming plan year.

*You must take an equal FSA deduction for each pay period during the 2006 Short Plan Year. If you are a full-time employee, divide the amount you want to contribute during 2006 by 12 to determine the FSA deduction for each pay period; if you work less than 12 months of the year, divide the amount of your 2006 plan year contribution by the number of paychecks you will receive during the Short Plan Year (July 1, 2006 to December 31, 2006).

Employees working less than 9 months must report how many months they expect to work during the short plan year, and their annual FSA contribution will be divided by the number of paychecks they would receive during that time.

1) I will exhaust all my FSA to pay for IRS-qualified expenses eligible under my FSA, and my IRS-eligible dependents, 2) I will exhaust all my FSA, 3) I will not seek reimbursement through any other source, and maintain sufficient documentation to validate my FSA.

For more information, contact the attention of
FBMC, 32302-1878

By signing this form you certify that you expect to receive the number of PEBB paychecks listed in Box #2. If appropriate, decrease the number to allow for anticipated unpaid leave, or for planned retirement, or any other anticipated leave.

Employee Signature	Date Signed

FBMC USE ONLY

DATA ENTRY	VERIFICATION	SCANNED	INDEXED	SPECIAL NOTES

Contract Administrator
Fringe Benefits Management Company
P.O. Box 1878 • Tallahassee, Florida 32302-1878
Customer Service 1-800-342-8017 • 1-800-955-8771 (TDD)
www.myfbmc.com



Information contained herein does not constitute an insurance certificate or policy.
Certificates will be provided to participants following the start of the plan year, if applicable.